

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01

SAJ-01 L-02 H-02 DODE-00 PA-02 USIA-15 PRS-01 /111 W

----- 100074

R 281758Z FEB 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 8345

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

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DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING FEBRUARY
27)

1. SMALL HAMBURG BANK CLOSES: THE HERBERT EIDEN
BANK, AN INSTITUTION INVOLVED PRINCIPALLY IN SECURITIES
AND REAL ESTATE, WAS CLOSED ON FEBRUARY 25. THE BANK
HAD A BALANCE SHEET TOTAL OF APPROXIMATELY DM 5.5
MILLION. PRIVATE DEPOSITORS OF THE BANK WILL BE REPAID
THROUGH A COOPERATIVE EFFORT OF VARIOUS HAMBURG BANKS
AND THE ASSOCIATION OF GERMAN BANKS. SPECIFIC REASONS
FOR THE CLOSURE AND TOTAL AMOUNT OF LOSSES HAVE NOT
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BEEN MADE PUBLIC.

2. DRESDNER BANK INCREASES ITS CAPITAL: THE DRESDNER BANK ANNOUNCED THIS WEEK THAT IT HAS DECIDED TO INCREASE ITS CAPITAL BY DM 60 MILLION TO DM 670 MILLION. PRESS REPORTS HAVE MENTIONED THAT THE DEUTSCHE BANK IS ALSO CONSIDERING INCREASING ITS CAPITAL.

3. FOREIGN EXCHANGE MARKET: PRESSURE ON THE DOLLAR CONTINUED DURING THE WEEK AND IT DECLINED BELOW ITS PREVIOUS LOW OF DM 2.2835 REACHED ON JULY 9, 1973. DURING THE REPORTING WEEK SPOT AND FORWARD DOLLARS DEVELOPED AS FOLLOWS:

		FORWARD DOLLARS (DISCOUNTS IN PCT. P.A.)	
	SPOT DOLLARS	ONE-MONTH	THREE-MONTH
FEB 21	DM 2.3070	-0.8	-1.3
24	2.3030	-1.3	-1.2
25	2.2950	-0.3	-1.1
26	2.2940	0.0	-1.2
27	2.2825	-0.5	-1.4

WITHIN THE JOINT FLOAT THE DUTCH GUILDER, THE BELGIAN FRANC AND, AT THE END OF THE WEEK, THE SWEDISH CROWN WERE ABOVE THEIR DM CENTRAL RATES. NONE OF THESE CURRENCIES REACHED THEIR UPPER DM INTERVENTION RATES.

4. MONEY MARKET: CALL MONEY, WHICH ON FEBRUARY 19 HAD FALLEN TO 1 PERCENT, TIGHTENED DURING THE WEEK. FRANKFURT INTER-BANK MONEY RATES DEVELOPED AS FOLLOWS:

	CALL MONEY	ONE-MONTH MONEY	THREE-MONTH MONEY
FEB 21	1.8-2.2	4.5-5.0	5.7-6.0
24	2.8-3.2	4.8-5.3	5.8-6.2
25	5.0-6.0	5.0-5.4	5.9-6.4
26	5.6-6.5	5.2-5.5	6.0-6.3
27	5.5-6.5	5.5-5.8	6.0-6.3

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5. MONETARY RESERVES: IN THE THIRD WEEK OF FEBRUARY (FEBRUARY 17-23) BUNDESBANK MONETARY RESERVES INCREASED BY DM 0.1 BILLION TO DM 84.5 BILLION. HOLDINGS OF LIQUID FOREIGN EXCHANGE INCREASED BY DM 179 MILLION AND GROSS LIABILITIES BY DM 79 MILLION.

6. BANK LIQUIDITY: DURING THE THIRD WEEK OF FEBRUARY BANK LIQUIDITY INCREASED BY DM 1.6 BILLION. LIQUIDITY

WAS INCREASED PRINCIPALLY THROUGH A DECLINE IN HOLDINGS OF RESERVES AT THE BUNDESBANK (DM 6.2 BILLION) AND THE DECLINE IN CURRENCY IN CIRCULATION (DM 1.8 BILLION). BANK LIQUIDITY INCREASED FURTHER BY THE ABOVE-MENTIONED INCREASE IN MONETARY RESERVES. THE MAJOR FACTOR REDUCING BANK LIQUIDITY WAS A DM 6.2 BILLION INCREASE IN OFFICIAL NET ASSETS HELD AT THE BUNDESBANK. OTHER FACTORS, NET, REDUCED LIQUIDITY BY DM 0.3 BILLION. DURING THE THIRD WEEK OF FEBRUARY BANKS REDUCED RE-DISCOUNT BORROWINGS BY DM 1.6 BILLION.

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7. BOND MARKET: DURING THE REPORTING WEEK THE FAZ AVERAGE YIELDS TO MATURITY OF OUTSTANDING DOMESTIC BONDS

DEVELOPED AS FOLLOWS:

8 PERCENT 7 PERCENT 6 PERCENT

FEB 21	9.12	9.10	8.69
24	9.09	9.08	8.68
25	9.12	9.10	8.68
26	9.11	9.12	8.64
27	8.98	8.93	8.68

THE KREDITANSTALT FUER WIEDERAUFBAU (RECONSTRUCTION
LOAN CORPORATION), FRANKFURT/MAIN HAS ISSUED A DM 250
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MILLION LOAN (CONDITIONS: COUPON 8.5 PERCENT, ISSUE
PRICE 98.50 PERCENT; MATURITY 8 YEARS; YIELD TO MATUR-
ITY 8.77 PERCENT). THE AUSTRIAN DRAUKRAFTWERKE A.G.
WILL ISSUE A DM 100 MILLION LOAN (CONDITIONS: COUPON 9
PERCENT; MATURITY 10 YEARS WITH 5 YEARS FREE OF RE-
DEMPTION; THE ISSUE PRICE WILL BE ESTABLISHED
IMMEDIATELY BEFORE THE DATE OF SALE -- MARCH 6). THE
SWEDISH COMPANY SVENSKA TAENDSTICKS AB IS PLANNING TO
ISSUE A DM 60 MILLION LOAN (CONDITIONS: COUPON 9 PER-
CENT; ISSUE PRICE 99 PERCENT; MATURITY 10 YEARS WITH
4 YEAR NON-REDEMPTION PERIOD). THE NORGES KOMMUNAL-
BANK, OSLO INTENDS TO ISSUE A LOAN DENOMINATED IN
NORWEGIAN CROWNS BUT WITH DM OPTION. THE LOAN WHICH
WILL BE GUARANTEED BY THE KINGDOM OF NORWAY WILL BE
FOR 220 MILLION NORWEGIAN CROWNS, HAVE A COUPON OF
8.75 PERCENT AND A MATURITY OF 12 YEARS. PURCHASERS
WILL HAVE THE OPTION OF RECEIVING PAYMENTS IN CROWNS
OR DM WITH THE DM/CROWN RATE FIXED FOR THE WHOLE OF
THE LIFE OF THE LOAN JUST PRIOR TO ITS ISSUE.
HILLENBRAND

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